United Nations A/57/464

General Assembly

Distr.: General
11 October 2002

Original: English

Fifty-seventh session
Agenda item 112
Programme budget for the biennium 2002-2003

Presentation of estimates of staff assessment

Report of the Secretary-General*

Summary

The present report has been prepared pursuant to paragraph 14 of General Assembly resolution 56/253 of 24 December 2001, in which the Assembly requested the Secretary-General to report on options in regard to the format currently used for the presentation of estimates, gross and net, of staff assessment, with a view to enhancing comparability with other organizations of the United Nations system. The report covers the current format in use by the United Nations, an earlier related review on the single-section consolidation of staff assessment inflows and outflows, and an assessment of comparability across the formats and related arrangements in use for the presentation of estimates of staff assessments by organizations of the United Nations system.

* The delayed submission of the present report is due to the consultations required with organizations of the United Nations system.

02-63451 (E) 161002

I. Introduction

1. The present report has been prepared pursuant to paragraph 14 of General Assembly resolution 56/253 of 24 December 2001, in which the Assembly requested the Secretary-General to review the format currently used for the presentation of estimates, gross and net, of staff assessment, with a view to enhancing comparability with other organizations of the United Nations system, and to report on options in that regard to the General Assembly at its fifty-seventh session.

II. Current budgetary presentation

2. In accordance with established budgetary procedures of the United Nations, provision is made on a gross basis under the expenditure estimates for assessable emoluments of its staff members other than post adjustment payments. Staff costs are shown net of staff assessment under the various expenditure sections of the programme budget. The difference between gross and net emoluments is requested as a global amount under expenditure section 32. Amounts withheld in the form of staff assessment are revenue to the Organization, which, to the extent not otherwise disposed of by specific resolution of the General Assembly, is credited to the Tax Equalization Fund for the purposes envisaged in General Assembly resolution 973 A (X) of 15 December 1955. Member States are given credit in that Fund in accordance with the scale of assessments for the regular budget applicable to the financial year concerned. Accordingly, the amount requested under expenditure section 32 is also included in income section 1, Income from staff assessment.

3. As a result of the procedures outlined above, the format of the regular budget presents staff assessment as both an expenditure item under section 32 and as income under income section 1, which includes the revenues generated under section 32 and the staff assessment derived from the expenditure portions under income section 3.

III. Earlier review of the possibility of a single consolidated section

4. In paragraph 24 of its resolution 54/249 of 23 December 1999, the General Assembly requested the Secretary-General to explore the possibility of presenting in future programme budgets one consolidated section for staff assessment inflows and outflows, with a view to improving the transparency of the presentation of the budget. In summarizing follow-up action taken to implement recommendations relevant to section 32 of the proposed programme budget for 2002-2003, it was noted that the requested single consolidated section to present all inflows and outflows could not be encompassed solely within the regular budget, as the related funds are linked to the Tax Equalization Fund, which pools revenues and expenditures related not only to the regular budget but also to those derived from peacekeeping operations and tribunals as assessed funds.[1] The simplicity sought was not available as a result of the inherently complex nature of the multiple transactions required in handling a large group of assessments that are accounted for under different financial periods, some of which are biennial and others annual.

5. In reviewing the proposed programme budget for 2002-2003, the Advisory Committee on Administrative and Budgetary Questions noted that, for these reasons, the request of the General Assembly to present one consolidated section for staff assessment inflows and outflows could not be implemented.[2]

IV. Comparability with other organizations of the United Nations system

6. The annex to the present document outlines the formats in use by a number of other organizations of the United Nations system for the presentation of estimates of staff assessment. From the information summarized in the annex, the arrangements in use for staff assessment may be grouped into the following three broad categories:

(a) Organizations with a budgetary presentation on a net basis, with staff assessment added as an additional line item to arrive at a total budget or total appropriation on a gross basis, and with offsetting credits under tax equalization fund arrangements:

(i) Each section of the budget is presented on a net basis, but the overall budget or total appropriation is presented on a gross basis;

(ii) Member States are assessed on the total appropriation, and a tax equalization fund is used

to credit member States with their share of the staff assessment appropriation; however, for member States which levy tax on their nationals, the credit is reduced by estimated taxes to be paid in respect of those nationals;

(b) Organizations with a budgetary presentation and total appropriation on a net basis, with reimbursements received under a tax reimbursement agreement:

(i) Budget and appropriation is presented on a full net basis;

(ii) Member States are assessed on the total appropriation, and under a tax reimbursement agreement between the organization and a member State, a separate direct reimbursement is received in respect of amounts paid for taxes of nationals covered by such agreements;

(c) Organizations with a budgetary presentation on a gross basis at the section level (that is, staff costs under each section include any applicable taxes to be paid for staff members), with no reimbursement arrangements with member States in respect of taxes;

(i) Each section of the budget as well as the related total appropriation includes all staff costs, including those in respect of taxes which may be incurred;

(ii) No reimbursement arrangements are made with member States in respect of taxes paid by the organization on behalf of nationals of a member State.

7. An analysis of the information presented in the annex indicates that FAO and WHO utilize a presentation which falls into the first category, and which is comparable to that used by the United Nations. This presentation applies assessment on a gross basis, with a credit received where applicable. IAEA, ICAO, ILO, IMO, ITU, UNIDO, UPU, WMO and WIPO utilize a presentation which falls into the second category, and which is based on assessments net of staff assessment estimates. UNESCO utilizes a presentation which falls into the third category listed above, whereby taxes incurred are treated the same as other costs and no reimbursement is received from member States which levy taxes on UNESCO emoluments.

8. The formats described in paragraph 6 (b) and (c) both result in a more simplified budget presentation. In these cases, staff assessment is not distinctly identified, since it is either a part of staff costs, or not included in the budget at all. However, the simplification achieved in utilizing these presentations must be weighed against the resulting impact on transparency, completeness, and comparability of information presented in the budget.

9. The presentation used by FAO, WHO and the United Nations is based on the reflection of costs net of the staff assessment at the programme and subprogramme level. For these organizations, an estimate of staff assessment is added as a global amount under a separate expenditure section, or as an additional line item, to arrive at the total appropriation. While this presentation is more complex than the other two, it facilitates the comparison of the programme of work and budget proposals at the level of each section or programme on a net basis, at the global level on a gross basis, and at the global level on a net basis (by subtracting the global staff assessment estimate).

10. Given the different arrangements in use at present throughout the United Nations system, a change in presentation from the format currently followed by the United Nations would not enhance overall comparability. A change from the presentation of overall estimates on a gross basis to a full net-basis format for the presentation of estimates would limit the ability to compare estimates at the global level on a gross basis, given the absence of a reference to staff assessment amounts in the budget or appropriation. While the presentation followed by UNESCO is consistent with the absence of tax reimbursement arrangements for that organization, it is not considered compatible with the current United Nations arrangements for such reimbursement under the Tax Equalization Fund. Taking into account the complex arrangements under the Fund (covering staff assessment generated by the regular budget, peacekeeping operations, the tribunals and income section 3), any change in presentation would further restrict comparability with other presentations applied by other organizations of the United Nations system and might complicate matters in regard to ensuring a clear linkage between the programme budget and the pattern which must be followed in arriving at estimates of staff assessment.

V. Recommendation

11. **It is recommended that the United Nations maintain the format currently followed for the presentation of estimates of staff assessment. The General Assembly may wish to take note of the present report.**

Notes

[1] A/56/6 (Sect. 32), table 32.1.

[2] *Official Records of the General Assembly, Fifty-sixth Session, Supplement No. 7* (A/56/7), chap. II.B, para. XII.3.

Annex

Comparative table of budgetary presentation and staff assessment arrangements

Organization	*Budgetary presentation*	*Financial arrangements (assessments)*	*Tax reimbursement arrangements*
(a) Organizations with a budgetary presentation on a net basis, with staff assessment added as an additional section or line item to arrive at a total budget or total appropriation on a gross basis, and with offsetting credits under tax equalization fund arrangements			
FAO	*Net budgeting* of staff costs applies throughout the budget document. However, the appropriations resolution shows a single additional amount for staff assessment, taking the total appropriation up to the gross budget level.	In establishing the actual amounts of contributions to be paid by individual member nations, the assessment of each member nation is reduced by any amount standing to its credit in the Tax Equalization Fund provided that the credit of a member nation that levies taxes on the salaries, emoluments and indemnities received from FAO by staff members is reduced by the estimated amounts of such taxes to be reimbursed to the staff member by FAO.	A *Tax Equalization Fund* was established in 1972. Member nations which do *not* levy tax on FAO staff emoluments have their full share of the staff assessment appropriation refunded by deduction from the contributions payable by them. Member nations which levy tax on FAO staff emoluments have their share of the appropriation refund for staff assessment reduced by the amount estimated to be required to meet claims from FAO staff concerned for tax reimbursement, and adjusted the following budget period.
WHO	While the budget is presented on a *gross basis*, the effective working budget is net of staff assessment. The appropriation section entitled "Transfer to Tax Equalization Fund" includes the total amount of staff assessment under the regular budget. The budget takes into account both "Credits from the Tax Equalization Fund and estimated tax reimbursement payable from the Tax Equalization Fund".	Member States are assessed taking into consideration the amounts standing to their credit in the Tax Equalization Fund.	WHO has a *Tax Equalization Fund*. For member States which levy tax on their nationals working at WHO, their estimated credit is reduced by the amounts to be paid by those nationals in reimbursement of such direct taxes.

Organization	*Budgetary presentation*	*Financial arrangements (assessments)*	*Tax reimbursement arrangements*
(b) Organizations with a budgetary presentation and total appropriation on a net basis, with reimbursements received under a tax reimbursement agreement			
IAEA	No staff assessment; the budget is presented on a *net basis*.	Member States are assessed on a *net basis*.	A *Tax Reimbursement Agreement* was concluded between the United States of America and IAEA on 5 April 1989. Reimbursement is made to United States citizen staff members by IAEA and the United States then reimburses IAEA as if the United States citizen's IAEA income was his/her only income (but apportioning any deductions pro rata between IAEA and private source income).
ICAO	The budget is presented on a *net basis*.	Member States are assessed on a *net basis*.	A *Tax Reimbursement Agreement* was concluded with the United States Government on 14 July 1992.
ILO	The budget is presented on a *net basis*. Staff assessment is not used in any way in the budget presentation, nor on the staff pay slip.	Member States are assessed on a *net basis*.	The *Tax Reimbursement Agreement* is only for the United States Government. ILO reimburses staff members who are United States citizens and sends the United States Government an invoice to reimburse ILO for the amounts so advanced.
IMO	The budget is presented on a *net basis*. Staff assessment is indicated in the scale of salaries of staff and mentioned in the Staff Rules, but not used for the programme budget.	Member States are assessed on a *net basis*.	IMO has a *Tax Reimbursement Agreement* with the United States Government in force for those staff members who are United States citizens and have entered on duty since January 1993.
ITU	The budget is presented on a *net basis*. Staff assessment is not used in any form in the budget presentation.	Members are assessed on a *net basis*.	ITU has a *Tax Reimbursement Agreement* only with the United States Government. ITU reimburses staff members who are United States citizens and invoices the United States Government for amounts paid to staff concerned.
UNIDO	The budget estimates are presented as follows: (a) Total appropriations (exclusive of staff assessment); (b) Estimated income; (c) Net requirements.	Member States are assessed on a *net basis*.	A *Tax Reimbursement Agreement* was concluded between the United States and UNIDO on 26 March 1993. On withdrawal of membership of the United States from UNIDO, the Agreement lapsed (31 December 1996).

Organization	*Budgetary presentation*	*Financial arrangements (assessments)*	*Tax reimbursement arrangements*
UPU	The budget is presented on a *net basis*, as UPU does not have staff assessment.	Member States are assessed on a *net basis*.	UPU has a *Tax Reimbursement Agreement* only with the United States Government. UPU reimburses staff members who are United States citizens and invoices the United States Government for amounts paid to staff concerned.
WMO	The budget is presented on a *net basis*.	Member States are assessed on a *net basis*.	A *Tax Reimbursement Agreement* was concluded with the United States Government in January 1987.
WIPO	The budget is presented on a *net basis*.	Member States are assessed on a *net basis* and according to the determined amounts for contributions.	A *Tax Reimbursement Agreement* was concluded with the United States Government in December 1988. The Government will deposit with WIPO at the earliest possible date each year a sum sufficient to cover all tax reimbursements paid by WIPO in respect of the preceding tax year, in accordance with the Agreement.
(c) Organizations with a budgetary presentation on a gross basis (i.e. staff costs include any applicable taxes to be paid for staff members), with no reimbursement arrangements with member States in respect of taxes			
UNESCO	Payments in respect of taxes are included in staff costs within the budget.	Member States are assessed on the total appropriation, which includes all staff costs.	No reimbursement arrangements.